

VZCZCXYZ0000
RR RUEHWEB

DE RUEHZP #0373/01 1272323
ZNR UUUUU ZZH
R 072323Z MAY 09
FM AMEMBASSY PANAMA
TO RUEHC/SECSTATE WASHDC 3365
INFO RUCPDO/DEPT OF COMMERCE WASHDC
RHMFIUU/DEPT OF HOMELAND SECURITY WASHINGTON DC
RHMFIUU/DEPT OF JUSTICE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHDC
RUMIAAA/HQ USSOUTHCOM MIAMI FL
RHEHAAA/WHITE HOUSE WASHDC

UNCLAS PANAMA 000373

SENSITIVE
SIPDIS

WHSC PLEASE PASS TO USTR AUSTR EISSENSTAT

E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [EFTA](#) [ETRD](#) [PGOV](#) [PM](#) [PREL](#) [SNAR](#)
SUBJECT: MARTINELLI'S U.S. AMBASSADOR-DESIGNATE SUPPORTS
TIEA COMMITMENT

REF: PANAMA 367

11. (SBU) Summary. Jaime Aleman, President-elect Martinelli's Ambassador-designate to Washington, told Ambassador Stephenson today (May 7) that Martinelli would support initiation of Tax Information Exchange Agreement (TIEA) negotiations with the United States soon as part of Panama's 2002 and 2009 OECD commitments, so long as it is not billed as a quid pro quo for the U.S.-Panama Free Trade Agreement (FTA) and contains restrictions such as exchange by request only and a bar on triangulation of information. Aleman also confirmed that Martinelli supports the Torrijos Administration (reftel) carrying forth labor and bearer shares legislation as part of the GOP's efforts to secure passage of the FTA. Post believes, and Aleman appeared to confirm, that the Torrijos government is in the best position to deliver those reforms, especially changes to labor laws and regulations. Ambassador Stephenson emphasized that time is tight on achieving an FTA and suggested that the Martinelli camp issue a clarifying press statement on its willingness to consider a TIEA. "We have to do this (a TIEA); it is in our interest," Aleman said, noting that at this point he was still speaking personally. End summary.

12. (SBU) Ambassador Stephenson hosted a lunch at her residence on May 7 for President Elect Martinelli's Ambassador Designate to Washington, lawyer and power broker Jaime Aleman, and Martinelli's campaign economic advisor and prospective Vice Minister of Economy and Finance Frank De Lima. DCM Gilmour and EconCouns also attended. Aleman's younger brother, Jose Miguel Aleman, served as Foreign Minister during the Moscoso Administration. Jaime Aleman, as Minister of Government and Justice under President Delvalle in 1988, signed the decree dismissing Manuel Noriega as Head of the Armed Forces and was forced into exile in Miami. He is a graduate of Georgetown Preparatory School, Notre Dame (BA in Economics) and Duke (JD). Frank De Lima is a dual U.S.-Panamanian citizen, a Boston University graduate, and most recently held a management position in Martinelli's supermarket firm and advisory position in his campaign.

13. (SBU) On the issue of a TIEA, Aleman said, "We have to do this, it is part of our commitment." In addition, he noted that holding out would be futile. Aleman also mentioned that entering into TIEAs did not hinder other offshore banking centers and was aware of the OECD's guideline for 12 TIEAs as a basis for jurisdictions that had implemented the internationally agreed tax standard. He ridiculed application of Panama's retaliatory Ley de Retorcion as "insane - if it is applied, down goes the Canal expansion ..., " and called holdouts "dinosaurs." Aleman, however,

mentioned that publicizing a TIEA as a quid pro quo for the Administration's FTA support was not acceptable and noted that Panama would protect its interests by insisting on exchange of information by request only (as opposed to an automatic exchange) and a bar on the triangulation of information (sharing with third parties). Aleman also confirmed that Martinelli had accepted the Torrijos endgame (reftel) and would not interfere with the current President's efforts to pass labor reforms and bearer share regulation as a precursor to passage of an FTA by the U.S. Congress. He appeared very comfortable with the Torrijos government carrying responsibility on these matters, especially changes to Panama's labor laws and regulations.

¶4. (SBU) Ambassador Stephenson emphasized that timing is tight on achieving an FTA and suggested that the Martinelli camp issue a clarifying press statement soonest on its willingness to consider a TIEA - apart from the FTA. She noted that prior press statements by Martinelli and other officials were causing confusion in Washington. Aleman replied that passage of the FTA remained Martinelli's highest priority and that he would convey this advice to the President-elect. Significantly, Aleman revealed that he had asked Yavel Francis, currently Panama's Ambassador to the United Nations, to serve as his DCM. Francis was the indispensable leader of the inaugural Pathways to Prosperity Ministerial in Panama in December. She also had served as an advisor on tax haven issues in the Foreign Ministry. Aleman added that the Minister of Economy and Finance (and Frank De Lima's boss) would be Alberto Vallarino, who shared an interest in meeting OECD standards on transparency.

¶5. (SBU) Comment. The lunch was striking in that Aleman needed no convincing on the necessity of committing to negotiating a TIEA shortly. Almost as if he were reading our talking points, he noted that a TIEA combined with bearer shares regulation was essential to the continued growth of Panama's emerging economy based on maintaining foreign investment flows. Aleman's voice is powerful and encouraging. Nonetheless, resistance to a TIEA will continue in some quarters. Most importantly, reaching an FTA will take close coordination with both the outgoing Torrijos and incoming Martinelli administrations. Torrijos' center-left PRD party is far and away in the better position to deliver labor reforms and bearer share regulation. A TIEA - apart from an FTA - must be sensitively negotiated with President-elect Martinelli. End comment.
STEPHENSON